

FISCAL NOTE

Bill #: SB0324

Title: Prescription drug assistance and discount programs

Primary Sponsor: J. Tester

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
State Special Revenue – I-149	\$7,000,000	\$8,750,000
State Special Revenue - Rebates	\$329,965	\$3,083,056
Federal Special Revenue	\$3,600	\$3,600
Revenue:		
General Fund	\$0	\$0
State Special Revenue – I-149	\$7,000,000	\$8,750,000
State Special Revenue - Rebates	\$1,728,000	\$2,442,240
Federal Special Revenue	\$3,600	\$3,600
Net Impact on General Fund Balance:	\$0	\$0

☐ Significant Local Gov. Impact

☒ Technical Concerns

☒ Included in the Executive Budget

☐ Significant Long-Term Impacts

☐ Dedicated Revenue Form Attached

☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Public Health and Human Services

1. This bill provides for the Department of Public Health and Human Services (DPHHS) to create a pharmacy access prescription drug benefit program that complements the Medicare Part D program; manage the administration of the program; perform enrollment activities; provide technical assistance and perform education outreach; enroll licensed pharmacists to provide consultative services to Montanans; and create and monitor the state pharmacy discount program.
2. For purposes of this fiscal note, it is assumed that the amount of funds from the state special revenue derived from I-149 for the new need-based prescription drug program of the November 2004 general election is \$7,000,000 in FY 2006 and \$8,750,000 in FY 2007. The services provided for in Section 1 of this bill will be limited to this amount of revenue.
3. It is assumed that the benefits provided in Section 1 would not become effective until January 1, 2006.

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Medicare Part D Prescription Drug Plan up to 200 % FPL:

4. Section 1 of the bill charges the DPHHS to administer a pharmacy access prescription drug benefit program and allows for participation of families with income up to 200 percent of Federal Poverty Level (FPL).
5. It is estimated that there are 28,338 people up to 200 percent of FPL and not eligible for Medicaid.
6. For purposes of this fiscal note, and to live within the available funding, it is assumed that approximately 20,000 of these people would participate in the program each year.
7. Section 1, (3) of the bill allows the DPHHS to establish eligibility up to 200 percent of the FPL. The actual FPL ceiling has not been determined, and will be adjusted to maintain caseload costs within available funding.
8. The cost of the annual Part D premium is \$35 per month per individual. With the January 1, 2006 start date, it is estimated that the annual premium for Part D will be \$210 for FY 2006 and \$420 for FY 2007 ($\$35 \times 6$; $\$35 \times 12$).
9. Annual premium costs will be \$4,200,000 in FY 2006 and \$8,106,000 in FY 2007 ($20,000 \times \210; $19,300 \times \$420$).
10. To enroll eligible Montanans, systems will need to be modified for the eligibility requirements. It is estimated that it will require 500 hours of programming time to perform the eligibility on-line at a cost of \$105 per hour. The total cost is estimated to be \$52,500 in FY 2006 ($\105×500 hours).
11. This bill requires that a report be made on Montanan's drug usage. It is estimated that it would require 500 hours in FY 2006 and 125 hours in FY 2007 for a consultant to research information and prepare the report with an estimated cost of \$100 per hour. The total costs of a consultant are estimated to be \$50,000 in FY 2006 and \$12,500 in FY 2007 ($500 \times \$100 = \$50,000$; $125 \times \$100 = \$12,500$).
12. It is assumed that DPPHS will hire 6.00 FTE, two grade 16 (1-program officer and 1-financial specialist) for program development and management, one grade 15 to perform outreach responsibilities, and three grade 13 eligibility technicians for determinations. It is estimated that the personal services costs will be \$240,397 in FY 2006 and \$240,397 in FY 2007.
 - a. 1.00 FTE grade 16 program officer - \$45,404 per year
 - b. 1.00 FTE grade 16 financial specialist - \$45,404 per year
 - c. 1.00 FTE grade 15 outreach officer - \$41,889 per year
 - d. 3.00 FTE grade 13 eligibility officers- \$107,700 per year
13. The administrative costs are estimated to be \$40,531 in FY 2006 and \$22,675 in FY 2007.
 - a. FY 2006 $\$17,856 + \$6,750 + \$5,925 + \$10,000 = \$40,531$
 - i. New employee office and computer equipment package - \$17,856
 - ii. Trips for outreach and other pharmacy related items - \$6,750
 - iii. General operating expenses (rent, phones, etc.) = \$5,925
 - iv. Education materials - \$10,000
 - b. FY 2007 $\$6,750 + \$5,925 + \$10,000 = \$22,675$
 - i. Trips for outreach and other pharmacy related items - \$6,750
 - ii. General operating expenses (rent, phones, etc.) = \$5,925
 - iii. Education materials - \$10,000
14. It is estimated that it will cost \$12,000 in FY 2006 and \$11,580 in FY 2007 for SABHRS processing of premium checks to Prescription Drug Plans ($\$0.60 \times 20,000$; $\$0.60 \times 19,300$).

Prescription Assistance Program:

15. Section 3, (1) of this bill creates a pharmacist consulting line for Montanans being served under this bill to consult with a pharmacist regarding the drugs they are taking. It is estimated that the pharmacist consulting line will receive 4,500 calls in FY 2006 and 6,000 in FY 2007.
16. It is estimated that it will cost \$105 to start up the pharmacist consulting line in FY 2006.

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17. It is estimated that it will cost \$0.10 per minute for each call with a total average call time of six minutes. Total estimated phone charges would be \$2,700 in FY 2006 and \$3,600 in FY 2007 ($\$0.10 \times 6 = \$0.60 \times 4,500$; $\$0.10 \times 6 = \$0.60 \times 6,000$).
18. It is estimated that it costs \$40 per prescription consultation. Total estimated pharmacists consulting cost under this service is \$180,000 in FY 2006 and \$240,000 in FY 2007 ($\$40 \times 4,500$ consults; $\$40 \times 6,000$ consults).

Educational and Technical Assistance:

19. It is assumed that a consultant will be used to perform the educational and technical assistance requirements of this bill. The estimated cost is \$100,000 in FY 2006 and \$100,000 in FY 2007.

Formulary Committee:

20. Section 7 of the bill charges the DPHHS to adopt specifications for the administration and management of the program. The DPHHS may use a formulary of other committees to determine preferred drug lists for the programs. If an additional formulary committee member is required, the cost for each additional member is \$4,800 in each year of FY 2006 and FY 2007. For purposes of this bill, it is assumed that one formulary committee member will be added. This cost is matched at the allowable federal Medicaid administrative matching rate of 75 percent federal funds and 25 percent state funds. This would result in an additional \$1,200 general fund and \$3,600 federal funds if an additional committee member were required.

Prescription Drug Plus Discount Program:

21. Section 5 of the bill states that the DPHHS may provide for a prescription drug plus discount program to all Montanans up to 250 percent of FPL.
22. The revenues to support this program are derived from a state special revenue account that is made up of rebates from pharmaceutical manufacturers and from any excess funds for the pharmacy access program as noted in Section 1, (6).
23. Drug rebates are paid to the state by drug manufacturers based on the number of units dispensed and the established rebate amount for each kind of drug. Rebates from drug manufacturers are not collected on a regularly scheduled basis. This creates a lag between the time costs are incurred that the time that the rebates are received.
24. Rebates are estimated to be four percent of the prescription cost. It is estimated that rebates collected will be \$1,728,000 in FY 2006 and \$2,442,240 in FY 2007.
25. It is estimated that approximately 150,000 Montanans may be eligible for the prescription drug plus discount program. It is further estimated that only 40 percent of these people would participate in this program.
26. To enroll the Montanans that are up to 250 percent of FPL, systems will need to be modified for the eligibility requirements. It is estimated that it will require 500 hours of programming time to perform the eligibility on-line at a cost of \$105 per hour. The total cost is estimated to be \$52,500 in FY 2006 ($\105×500 hours).
27. To perform all of the requirements of Section 5, DPPHS will hire 3.00 FTE, one grade 16-program officer for program development and management, and two eligibility technicians for determinations. It is estimated that the personal services costs will be \$117,204 in FY 2006 and \$117,204 in FY 2007.
 - a. 1.00 FTE grade 16 program officer - \$45,404
 - b. 2.00 FTE grade 13 eligibility officers- \$71,800
28. The administrative costs are estimated to be \$12,828 in FY 2006 and \$3,900 in FY 2007.
 - a. FY 2006 $\$8,928 + \$3,900 = \$12,828$
 - i. New employee office and computer equipment package - \$8,928
 - ii. General operating expenses (rent, phones, etc.) = \$3,900
 - b. FY 2007

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- i. General operating expenses (rent, phones, etc.) = \$3,900

Rx Plus Discount Program:

29. Pharmacists must submit claims to determine the current reimbursement for prescription drugs under this program. Claims processing costs is \$1.05 per claim. Total claims processing fees are estimated to be \$2,268,000 in FY 2006 and \$3,024,000 in FY 2007.

- a. FY 2006 $150,000 \times .40 = 60,000 \times 4$ prescriptions per month = $240,000 \times \$1.05$ per claim =
\$252,000 x 9 months = \$2,268,000
- b. FY 2007 $150,000 \times .40 = 60,000 \times 4$ prescriptions per month = $240,000 \times \$1.05$ per claim =
\$252,000 x 12 months = \$3,024,000

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	9.00	9.00

Expenditures:

Personal Services	\$357,601	\$357,601
Operating Expenses	\$2,775,964	\$3,423,055
Benefits	\$4,200,000	\$8,106,000
TOTAL	\$7,333,565	\$11,886,656

Funding of Expenditures:

State Special Revenue (02) – I-149	\$7,000,000	\$8,750,000
State Special Revenue (02) – Rebates	\$329,965	\$3,083,056
Federal (03)	\$3,600	\$3,600
TOTAL	\$7,333,565	\$11,886,656

Revenues:

State Special Revenue (02) – I-149	\$7,000,000	\$8,750,000
State Special Revenue (02) – Rebates	\$1,728,000	\$2,442,240
Federal (03)	\$3,600	\$3,600

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02) – I-149	\$0	\$0
State Special Revenue (02) – Rebate	\$1,398,035	(\$640,816)

TECHNICAL NOTES:

1. This bill mandates the Medicaid Pharmacy program change its criteria for a drug's inclusion on the Preferred Drug List (PDL). Under these criteria, the Department may have to limit the number of drugs listed as preferred when the Formulary Committee deems certain medications are found to be equally effective and safe for the treatment of the same medical condition. The inclusion of additional drugs on the PDL would be made only available at a price equal to or less than an equivalent drug.
2. Assumption 2 states that the level funding source for State Pharmacy Access Program of section 1 of this bill will be from an allotment from the state revenue fund - Health and Medicaid Initiatives – for the new need-based prescription drug program. This bill does not identify a source of funding for this program so it is unclear if the source to be used is from the state revenue account of I149.

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3. The department has included within its HB2 recommended budget the amounts identified assumption 2 for the purposes that this bill addresses. The amounts are based on an estimate of the revenue from the tax initiated by I149 and will change and, thereby, could impact the funds available for the State Pharmacy Access Program.
4. In Section 5 of the bill, two of the grade 13 eligibility technicians may not be needed after FY 2007.
5. Costs depicted in this fiscal note have been limited to the anticipated revenue available. Section 1, (3) and Section 5, (3), and (8) state that the department shall consider available funding when establishing eligibility standards.
6. There is no effective date on the bill. This fiscal note assumes Part D program start up is to begin July 1, 2005 with service delivery to begin January 1, 2006. The Rx discount program start up is to begin July 1, 2005 with service delivery to begin on October 1, 2005.